

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 NEA-10 ISO-00 AGR-05 ERDA-05 AID-05

CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00 FEAE-00 FPC-01

H-02 INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-03

USIA-06 SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00

FRB-03 PRS-01 PA-01 /110 W

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R 291145Z MAY 75

FM AMEMBASSY ALGIERS

TO SECSTATE WASHDC 2506

INFO AMEMBASSY PARIS

C O N F I D E N T I A L ALGIERS 1265

E.O. 11652: NGDS

TAGS: EAGR, ENRG, ECON, AG

SUBJ: ALGERIAN OIL BARTER DEALS

REF: (A) ALGIERS 1133 (B) ALGIERS 1120

1. ALGERIAN PRESS HAS DENOUNCED RUMORS OF CUT-RATE ALGERIAN IL SALES. ARTICLE IN MAY 28 EL MOUDJAHID CASTIGATES THESE RUMORS AS UNTRUE AND IF TRUE ILLEGAL UNDER OIL PURCHASE AGREEMENTS. RENAULT AND BERLIET-SAVIEM HAVE BEEN ASKED TO ACCOUNT FOR PURCHASE THEY HAVE MADE AND RANAULT HAS HAD 42 MILLION DOLLAR ORDER CANCELLED. AIT LAOUSSINE, VP OF SONATRACH, HAS ALSO DENIED REPORTS OF ALGERIAN CUT-RATE SALES APPEARING IN PETROLEUM INTELLIGENCE WEEKLY.

2. J.I. CASE HAS NEGOTIATED DEAL FOR PURCHASE OF 220,000 BARRELS OF OIL FROM SONATRACH IN TWO SHIPMENTS IN MAY AND JUNE. IN RETURN J.I. CASE HAS SOLD 13 MILLION DOLLARS OF THEIR PUBLIC WORKS VEHICLES. CONTRACT PROVIDES FOR SALE OF OIL AT 11.75 TO BE SHIPPED TO US FOR REFINING. THIS IS EASY FOR CASE
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BECAUSE IT IS SUBSIDIARY OF TENNECO WHICH HAS OWN

REFINERIES. REFINERIES ARE ACTUALLY PAYING ABOUT 10.75 AND CASE HAS TO MAKE UP DIFFERENCE BY INTER-CORPORATE TRANSFER. THIS CUTS CASE'S PROFIT SINCE OIL PART OF CONTRACT CAME UP AFTER THEY SUBMITTED BID TO SONACOME FOR SALE OF PUBLIC WORKS EQUIPMENT SO 1 DOLLAR A BARREL SUBSIDY WASN'T ADDED TO PRICE. SONACOME ISN'T TOO HAPPY WITH DEALS, BECAUSE IT LOSES ITS BARGAINING POSITION AND ALSO IS BUYING FROM NEW BUYERS RATHER THAN FOLLOWING UP ON ITS STANDARDIZATION POLICY TO IMPROVE SERVICING PROBLEMS IN ALGERIA. INTERESTING ASPECT OF OIL DEALS IS THAT OIL IS PAID FOR IN USUAL 30-45 DAYS BILLING WHILE ALGERIAN TRUCK PURCHASES ARE MADE WITH LONGER TERM FINANCING, SO SYSTEM NOT ONLY MOVES OIL BUT ALSO HELPS IMMEDIATE BALANCE OF PAYMENTS PROBLEMS.

3. PRODUCER'S INTERNATIONAL IS MOVING AHEAD ON ITS OIL FOR WHEAT DEAL, REF A. HOCINE DELMI AND POSSIBLY MOKHTAR LOUHIBI OF OAIC ARE FLYING TO KANSAS CITY TO FLESH OUT CONTRACT FOR MILLION TONS OF WHEAT A YEAR FOR 3 YEARS. SONATRACH OIL SALESMEN ARE ALSO GOING ALONG TO ATTEMPT TO NEGOTIATE CRUDE SALES. DIFFERENCE BETWEEN US MARKET PRICE AND SONATRACH PRICE OF 11.75 WILL BE HARDER TO ABSORB IN THIS CASE.

4. SONATRACH IS RELIABLY REPORTED TO BE SELLING TO MIDDLEMEN AND ALSO SECRETLY SELLING BELOW 11.75 WHICH EXPLAINS THEIR STRIDENT DISCLAIMERS. IT IS IMPORTANT THAT IN ANY PUBLIC MENTION OF ALGERIAN CUT-PRICE OIL SALES BE MADE ONLY IN GENERAL IN ORDER TO PROTECT US FIRMS INVOLVED.

5. EMBASSY ESTIMATES THERE ARE NOW SOME 10 OR MORE OF THESE OIL BARTER DEALS INVOLVING WELL OVER A MILLION BARRELS OF OIL. PRELIMINARY REPORTS INDICATE ALGERIAN PRODUCTION AND EXPORTS WERE UP IN APRIL THANKS TO BARTER TYPE DEALS.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AGREEMENTS, PETROLEUM
Control Number: n/a
Copy: SINGLE
Draft Date: 29 MAY 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975ALGIER01265
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750188-0131
From: ALGIERS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t1975057/aaaaaftu.tel
Line Count: 98
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 75 ALGIERS 1133, 75 ALGIERS 1120
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 19 MAY 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <19 MAY 2003 by CunninFX>; APPROVED <20 MAY 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ALGERIAN OIL BARTER DEALS
TAGS: EAGR, ENRG, ECON, AG
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006